4:Grajdanzev--126-128 S-4 (no date) 1942 Formosans
116, 426, 453, 656, 177.42 Japan
636.42

"Another bank whose loans are far above deposits is Nippon Kangyo Bank, or the Japanese Bank for the Encouragement of Business. Actually this bank is a mortgage institution and [128] is in the forefront of the organizations which extend Japanese control over real property in Taiwan."

"The money which the banks and credit cooperatives collect is lent to the business men and farmers, and here one finds a great difference in the position of the big firms and the small farmers or artisans. The banks serve chiefly Japanese firms, and their credit requirements differ little from those in Japan. Small business men secure their credit in urban credit societies which sometimes charge as much as thirteen per cent and usually ten per cent, while rural credit societies usually charge twelve per cent and in the worst cases seventeen per cent. (1) But both urban and rural credit societies grant

1. These rates are taken from Sangyo kumiai nenkan, 1938, Tokyo. K. Takahashi asserts that the usual rate for mortgages on real property is 15 per cent, op. cit. p. 601).

such credit only on good security, so that the demand of many farmers for credit remains unsatisfied and they are compelled to apply for loans to private individuals who charge twenty to twenty-five per cent, and as Takahashi remarks, cases where more than twenty-five per cent is charged are not rare.

This brief survey is sufficient to show that the modern banks in Taiwan help to collect money from the population and loan it at a relatively low rate of interest to the big Japanese firms, while the Chinese have to apply for loans to other sources where they pay two to five times as high a rate of interest as that which the Japanese firms pay.

The importance of this fact cannot be overemphasized. The Chinese enterprises are unable to compete with the Japanese, not so much because the Chinese are 'unable to organize corporations' on account of their 'national characteristics,' [rationalizations given by Takahashi for the domination of industry by the Japanese see pages 112-113 in category 116--analyst] but because their financing costs them two to five times as much as it does the Japanese enterprises."

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against climate and short-term deterioration in use, against destruction through violence, and against decline in the income that it produced. Since the farming population was increasing within a fairly definite area, it had additional value in speculation. Land was also relatively safe against confiscation by the government; not only could its ownership be hidden from casual inspection, but the government itself depended on the obligations owed to landlords by tenants to uphold its authority. Under agrarian conditions of farming on a small scale it is impossible to cultivate large holdings of land under a single management. Hence, the only way to amass large wealth is to become a landlord—beyond some point, necessarily an absentee landlord. In early Taiwan, considerable concentration of landholdings was reported. Ownership tended to gravitate into the control of large and powerful families, whose influence was the only recourse of government officials in asserting their rule.[7]

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On the economic side, this concentration of wealth was not given a chance to develop into industrial-type investment. The landed gentry, often landed on considerable scale, were the only group of persons who had access to sufficient income to become capitalists.[8] Practically, however, it proved more secure and profitable to let out their lands to tenant farmers. When they branched out into different enterprises, it was as an adjunct to their status as gentry. In South Taiwan, for example,

> ". . . sugar was manufactured from the cane grown upon the owners' plantations, or from that brought from elsewhere. The cane was grown by the tenants, or by those who through being heavily indebted to the landowner stood in the same relation as retainers . . . under it [this system] the master of the sugar factory secures a threefold profit.
>
> 1. As landlord, he claims from his tenants from 15 per cent. to 20 per cent. of the cane as rent.

[7] One might suspect that, as in China, members of these families *were* the officials at lower levels of administration. But there is no direct evidence on this point, aside from frequent references to the fact that *clan* solidarity, imported to Taiwan by the migrants from South China, was one of the few bases for organizing any kind of joint action by Taiwanese on a large scale.

[8] The government was unable to fill such a role itself for reasons already noted. Officials, who were not permanent fixtures in Taiwan, confined their acquisitive energies to foreign commerce, where returns were quicker and they did not need to make long-term commitments. For example, it is significant that the government almost never operated its own monopolies, but let them out to many private agents and taxed the products as they were exported.

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2. As capitalist, he secures 14 per cent. to 24 per cent. interest on all the money he may have loaned to his tenant.
3. In order to cover the running expenses of the sugar factory he, as master, appropriates half the cane brought in by his tenants.

"These vast profits leave very little for the poor tenants, who have therefore no means of improving the soil, but fall deeper into debt, until at length they become mere slaves of the sugar factor. This system has proved the greatest hindrance to the growth of the business."[9]

Establishment of Japanese Authority

Japan's objectives in enlarging its Empire required a more energetic administration. With the background of past failures, it is understandable that the Japanese who first arrived in Taiwan met difficulty in trying to impose this kind of rule. It quickly became evident that neither profit nor political dominion was assured to them without some extraordinary measures.

Japanese first installed themselves in economic life exactly where outsiders had done so in the past—at the periphery of traditional marketing and property relations. They remained most active, as we have seen, outside the realm of agriculture proper. Through their steps in gaining access to the old agrarian institutions, we can now begin to see how far these changes impinged on agriculture itself. The Japanese did not proceed by sheer force, nor simply in a form of "economic penetration." The control was made effective by wedding the two channels—business and government—and by manipulating the pre-existing situation from a few vantage points at the outside. To make a success of this endeavor, the Japanese found it expedient to leave much of this rural social structure almost intact, and turn its basic features to their own account.

Histories of Taiwan over this period usually emphasize only the opposition to the new government that was overt and armed. But it was not by military conquest that the Japanese eventually secured the lowland area of the island. The military aspect was over quickly. Organized resistance collapsed by the end of 1895. Within a year or so after formally taking possession, Japanese became aware that direct attempts to alter the old rural state of affairs were too costly and slow, and were ineffectual against guerrilla bands that had wide-

[9] Takekoshi, Yosaburo (1907), p. 243.